1:Stanford U. S-4, 5 1956 AF14 Central China AF14

average of 25 per cent of the total retail trade in 1953, namely, 18 per cent of the retail trade in the cities and 30 per cent of that in the countryside. About 75 per cent of all the purchases by the co-operatives in 1953 were made on behalf of the state.[78] In most cases, purchases of raw materials and also such export items as cotton from Honan and Hupeh, hemp from Kiangsi, tobacco from Honan, tea from Hunan, silk from Kwangtung, and tung oil from Hunan were made through the co-operatives.[79]

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C. The Private Sector

With respect to private commerce, the State has adopted the policy of utilizing their "positive" activities and restricting their "negative" ones. At the same time, the state is leading them, allegedly at their own insistence on the road to state capitalism. In view of the monopolistic position of the state-owned trading companies, the private wholesale and retail dealers would be automatically squeezed out of business, or would be forced to act as distributing agents for the state-trading firms. In the cotton trade, for example, Section 4 of the "Temporary Regulation of the Supply of Cotton Yarn in the Central-South Area" announced

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78. Ibid.

79. Ibid.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

by the Central-South Military and Political Committee, provides a form of control over the cotton-yarn and cloth market. In order to keep enough finished goods on hand and provide sufficiently for the market, the state-owned trading companies were allowed to control, according to their needs, a part or the whole of the products of private enterprises.[80] In Canton, public and private factories and the cotton textile merchants were required to register the amount of cotton cloth bought, produced, and kept in inventory. Private and public institutions were also required to apply to the Municipal Industry and Commerce Bureau for permission to transport their cotton goods to the suburb of Canton.[81] Under these circumstances, the private cotton and cotton-cloth dealers were, naturally, forced either to change their occupation or to be reorganized to state capitalism.[82]

After the abolition of about three million private peddlers in Central-South China, the supply of necessary commodities was curtailed, causing great inconvenience to the rural communities. The Ministry of Agriculture issued new directives to Party and government workers to allow the peddlers to handle all retail sales throughout the rural districts in order to stabilize the trade channels between city and rural areas.[83]

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80. People's Daily, Peking, Aug. 22, 1951.

81. Hsing-tao Jih-pao [Sing-tao Daily], Hong Kong, Oct. 12, 1951.

82. Ibid.

83. New China Monthly, Peking, No. 65, March 1955, p. 153.